Alpha IVF (ALPHA MK)

1QFY26: Record Quarter Yet Again

- Earnings were within expectations off another quarter with record-high sales.
- Margins eased amid frontloaded marketing expenses and a high effective tax rate that should moderate in the subsequent quarters.
- Maintain BUY as Alpha IVF offers compelling growth prospects and a decent yield at attractive valuations. Target price unchanged at RM0.43.

BUY (Maintained)	
Share Price	RM0.34
Target Price	RM0.43
Upside	30.3%

Analyst
Philip Wong
philipwong@uobkayhian.com
(603) 2147 1996

1QFY26 Results

Year to 31 May (RMm)	1QFY26	qoq % chg	yoy % chg	Comments
Revenue	**52.1**	**4.2**	**21.2**	Yet another record quarter.
GP	**31.5**	**2.7**	**22.6**	
EBITDA	**23.5**	**0.2**	**14.5**	
PBT	21.0	-1.8	10.4	
Profit	**15.4**	**-5.4**	**2.9**	
Core PATAMI	**15.3**	**-4.9**	**6.3**	Within expectations, at 22% of both our and consensus estimates respectively.
Margins	**(%)**	**qoq ppt chg**	**yoy ppt chg**	
Gross Profit	60.4	-0.8	0.7	Higher commission rates to China agents coupled by higher uptake of promotional packages.
EBITDA	45.1	-1.8	-2.6	Slipped further as marketing expenses were frontloaded.
Eff. tax rate	-26.7	-2.8	-5.4	Spike in tax rate that should moderate over the year.
Core Profit	29.3	-2.8	-4.1	

Source: Alpha IVF, UOB Kay Hian

Analysis

- **Within expectations off quarter with record-high sales.** Alpha IVF registered a 1QFY26 core profit of RM15.3m (6.3% yoy, -4.9% qoq). This is within expectations, with earnings accounting for 22% of both our and consensus full-year estimates. We expect sequential growth over the subsequent quarters from: a) the gradual influx of patients, and b) the normalisation of marketing expenses and effective tax rate, which will result in earnings meeting full-year forecasts.

Key Financials

Year to 31 May (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	167.6	176.8	234.1	310.3	397.2
EBITDA	77.5	80.0	106.0	141.7	184.8
Operating profit	69.9	70.8	93.4	126.2	168.5
Net profit (rep./act.)	54.8	57.4	69.9	96.4	127.4
Net profit (adj.)	54.8	57.4	69.9	96.4	127.4
EPS	1.1	1.2	1.4	2.0	2.6
PE	29.3	27.9	23.0	16.6	12.6
P/B	8.6	8.1	7.3	6.5	5.6
EV/EBITDA	18.9	18.2	14.0	10.4	7.7
Dividend yield	1.4	3.0	3.0	4.2	5.6
Net margin	32.7	32.5	29.8	31.1	32.1
Net debt/(cash) to equity	(77.1)	(78.7)	(58.0)	(61.4)	(71.3)
Interest cover	95.5	73.8	215.5	288.1	375.8
ROE	28.4	23.7	27.7	36.1	44.5
Consensus net profit	n.a	n.a	69.1	89.2	110.5
UOBKH/Consensus (x)	n.a	n.a	1.0	1.1	1.2

Source: Alpha IVF, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	**Healthcare**
Bloomberg ticker	ALPHA MK
Shares issued (m)	4,860.0
Market cap (RMm)	1,652.4
Market cap (US$m)	392.2
3-mth avg daily t'over (US$m)	0.3

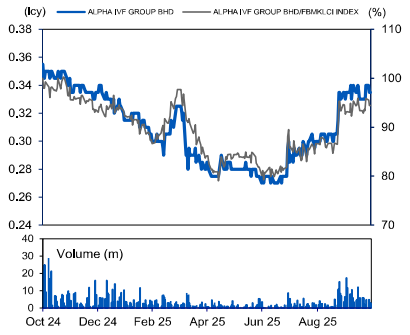
Price Performance (%)

52-week high/low				**RM1.66/RM1.13**
1mth	**3mth**	**6mth**	**1yr**	**YTD**
3.0	23.6	19.3	(4.2)	0.0

Major Shareholders

	%
Dato' Dr. Lee Soon Soo	43.2
FY25 NAV/Share (RM)	0.05
FY25 Net Debt/Share (RM)	0.02

Price Chart



Source: Bloomberg

Company Description

Renowned fertility treatment provider with fertility centres in the ASEAN region, set up and operated by leading doctors and embryologists responsible for numerous fertility achievements both in the region and worldwide.

- **Another record quarter but more to come.** 1QFY26 revenue grew by 21.2% yoy (+4.2% qoq). We gather that the quarter was primarily driven by foreign patient growth despite a marginal decline in domestic volumes. Notably, demand remained resilient even after the 6% Sales and Services Tax (SST) on foreign patients took effect in July, underscoring Alpha IVF's strong market positioning and the appeal of its region-leading clinical success rates. Over the next quarter, Alpha IVF is anticipated to add an additional IVF centre in Sabah, Malaysia and Manila, the Philippines followed by an IVF centre each in Johor and Tugegarao by the end of its financial year. This will complement the existing four full-fledged IVF centres across Malaysia and Singapore, two satellite clinics in Indonesia and two sales and representative offices in China.
- **Temporary margin compression.** Gross margin grew 0.7ppt yoy but softened by -0.8ppt qoq to 60.4%. The sequential decline was mainly due to higher commission payouts to China agents and increased promotional packages to optimise the higher staff throughput. EBITDA margin softened further by -1.8ppt qoq (-2.6ppt yoy) as a result of elevated marketing activities during the quarter, which are expected to normalise over the rest of the year. Meanwhile, the effective tax rate rose to 26.7% (1QFY25: 21.4%) owing to losses that could not be offset, though this should moderate in subsequent quarters. Consequently, PATAMI margins slipped by 4.1ppt and 2.8ppt yoy and qoq respectively to 29.3%. Margins should recover in the subsequent quarters as marketing expenses and the effective tax rate normalise.

Valuation/Recommendation

- **Maintain BUY and target price of RM0.43.** In the next few quarters, Alpha IVF is expected to deliver robust momentum, supported by a widening footprint across the region. These additions will materially expand the group's presence, up from a low base of just four existing IVF centres, providing strong visibility for sustained growth. Furthermore, Alpha IVF has industry-leading clinical success rates and proven execution of new expansion. Our target price is based on a PE peg of 24x, in line with Alpha IVF's regional IVF peers.

Earnings Revision/Risk

- No meaningful changes to earnings. Key downside risks are execution of new facilities, reputation risk, and key personnel concentration risk.

Share Price Catalyst

- **Stake increase in Alhaya.** To recap, on 23 Oct 25, Alpha IVF announced that it had raised its stake in Alhaya to 87% from 54%, a PE-accretive move enhancing value and balance sheet efficiency. FY27-28 earnings forecasts were lifted by 4% as a result. Alhaya had only commenced operations in Apr 24 and in its first full financial year (FY25), Alhaya had already delivered a net profit of RM2m while replicating group-level clinical success rates. Impressively, Alhaya achieved breakeven in its very first month, highlighting the group's ability to successfully replicate its model across regions, including its upcoming expansions across Malaysia, the Philippines and Indonesia.

Key Assumptions

	FY26F	FY27F	FY28F
Revenue (RMm)	**234.1**	**310.3**	**397.2**
Growth yoy (%)	32.4	32.6	28.0
Number of OPU			
Existing Centre OPU	3341	3408	3442
Growth yoy (%)	4.6	2.0	1.0
New Centres OPU	906	2356	3980
Growth yoy (%)	340	160	69
Total OPU	4247	5764	7422
Growth yoy (%)	25.0	35.7	28.8
Blended Revenue per OPU (RM'000)	**51.8**	**50.6**	**50.3**
Growth yoy (%)	-0.4	-2.3	-0.6

Source: UOB Kay Hian

Growth And Margin Outlook

	FY26F	FY27F	FY28F
Revenue (RMm)	**234.1**	**310.3**	**397.2**
Growth yoy (%)	32.4	32.6	28.0
EBITDA (RMm)	**112.4**	**148.1**	**191.3**
Growth yoy (%)	30.1	31.8	29.1
Core PATAMI (RMm)	**69.9**	**92.6**	**122.5**
Growth yoy (%)	21.6	32.5	32.3
EBITDA Margin (%)	46.6	46.7	48.1
Core PATAMI Margin (%)	28.9	29.3	30.8

Source: UOB Kay Hian

Environmental, Social, Governance (ESG)

Environmental

- **Energy efficiency.** Implements energy-efficient equipment and practices to reduce energy consumption within the centres.
- **Waste management.** Implements responsible waste management including proper disposal of medical waste and recycling initiatives.

Social

- **Ethical practices.** Adheres to ethical and transparent practices in patient interactions, including informed consent, privacy protection and responsible handling of genetic information.
- **Diversity & inclusion.** Fosters a diverse and inclusive work environment, ensuring that all patients and employees are treated with respect and dignity.

Governance

- **Board oversight.** Ensures that the board of directors or governing body provides effective oversight of the IVF centres' operations, including ESG strategies and performance.

Source: Alpha IVF, UOB Kay Hian

Profit & Loss

Year to 31 May (RM)	2025	2026F	2027F	2028F
Net turnover	**177**	**234**	**310**	**397**
EBITDA	80	106	142	185
Deprec. & amort.	9	13	16	16
EBIT	71	93	126	169
Total other non-operating income	6	6	6	6
Associate contributions	0	0	0	0
Net interest income/(expense)	(1)	0	0	0
Pre-tax profit	**76**	**99**	**132**	**174**
Tax	(18)	(23)	(30)	(40)
Minorities	(1)	(7)	(5)	(7)
Net profit	**57**	**70**	**96**	**127**
Net profit (adj.)	57	70	96	127

Balance Sheet

Year to 31 May (RM)	2025	2026F	2027F	2028F
Fixed assets	36	108	112	101
Other LT assets	41	47	47	47
Cash/ST investment	156	131	157	208
Other current assets	18	11	15	19
Total assets	**251**	**298**	**331**	**376**
ST debt	0	1	1	1
Other current liabilities	24	50	51	52
LT debt	0	3	3	3
Other LT liabilities	23	12	10	9
Shareholders' equity	198	219	248	286
Minority interest	6	13	18	24
Total liabilities & equity	**251**	**298**	**331**	**376**

Cash Flow

Year to 31 May (RM)	2025	2026F	2027F	2028F
Operating	**55**	**80**	**111**	**143**
Pre-tax profit	72	99	132	174
Tax	(18)	(23)	(30)	(40)
Deprec. & amort.	6	13	16	16
Associates	0	0	0	0
Working capital changes	(5)	(6)	(3)	(3)
Other operating cashflows	0	(3)	(3)	(4)
Investing	**(2)**	**(57)**	**(16)**	**0**
Capex (growth)	(7)	(55)	(20)	(5)
Investments	0	(6)	0	0
Proceeds from sale of assets	0	0	0	0
Others	6	4	4	5
Financing	**(47)**	**(47)**	**(70)**	**(91)**
Dividend payments	(46)	(49)	(67)	(89)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	0	3	0	0
Others/interest paid	(1)	(1)	(2)	(2)
Net cash inflow (outflow)	**6**	**(24)**	**25**	**52**
Beginning cash & cash equivalent	**151**	**156**	**131**	**157**
Changes due to forex impact	(1)	0	0	0
Ending cash & cash equivalent	**156**	**131**	**157**	**208**

Key Metrics

Year to 31 May (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	45.2	45.3	45.7	46.5
Pre-tax margin	43.0	42.4	42.5	43.8
Net margin	32.5	29.8	31.1	32.1
ROA	18.4	20.8	27.3	33.9
ROE	23.7	27.7	36.1	44.5
Growth				
Turnover	(55.5)	(41.1)	(21.9)	0.0
EBITDA	(56.7)	(42.7)	(23.3)	0.0
Pre-tax profit	(56.3)	(43.0)	(24.3)	0.0
Net profit	(54.9)	(45.2)	(24.3)	0.0
Net profit (adj.)	4.8	21.6	38.0	32.2
EPS	(54.9)	(45.2)	(24.3)	0.0
Leverage				
Debt to total capital	0.0	1.9	1.6	1.4
Debt to equity	0.0	2.0	1.8	1.5
Net debt/(cash) to equity	(78.7)	(58.0)	(61.4)	(71.3)
Interest cover	73.8	215.5	288.1	375.8

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